Saskatchewan
Grain Car
Corporation

Saskatchewan Grain Car Corporation

1998/99 Annual Report

100-04610/

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Letter of Transmittal

Minister of
Highways and
Transportation

SASKATCHEWAN

Legislative Building
Regina, Saskatchewan S4S 0B3
(306) 787-6447

October 31, 1999

To His Honour
The Honourable J.E.N. Wiebe
Lieutenant-Governor of the
Province of Saskatchewan

I have the honour to submit herewith the 20th Annual Report of the Saskatchewan Grain Car Corporation for the year ending July 31, 1999 in accordance with the *Saskatchewan Grain Car Corporation Act*. The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

Judy Bradley
Minister Responsible for the
Saskatchewan Grain Car Corporation

General Manager's Message

As General Manager of the Saskatchewan Grain Car Corporation (SGCC), I am pleased to provide my perspectives on the corporation's activities and initiatives for the fiscal year ending July 31, 1999. This past year was my fifth serving the Corporation in the capacity of General Manager. I continue to take great pride in knowing that the Corporation is assisting western Canadian producers in moving their grain products to domestic and export destinations throughout North America.

The SGCC made great strides in 1998/99 with the introduction of a new electronic accounting system and a new electronic grain car tracking system. Corporation staff tested the new tracking system in May, with full use taking place by fiscal year end. This new method of obtaining car movement data allows staff to monitor the car's actual physical location and status of the Corporations fleet of 977 cars anywhere on the North American railways' 250,000-mile network. This system implementation was in part required to allow for greater car tracking and reporting capabilities. It was also a necessity as the old system was antiquated and not Y2K compliant.

Corporation staff re-negotiated alternate use lease agreements with both major Canadian rail companies (CP and CN), this authorizes the use of Corporation cars for the movement of grain products to points in North America when the cars are not required for the movement of export grain. Actual car leasing revenues for alternate use movements increased by 19.9 % to $1,305,593 in 1998/99. This increase in revenue was partly a result of the terms and conditions in the re-negotiated agreements, and partly the result of increased commercial usage of SGCC cars by CN and CP.

The Corporation worked toward settlement of an outstanding "Statement of Claim" filed by the SGCC in 1997 against both CN and CP. The claim related to western Canada alternate use/commercial movements made prior to June 1997. Negotiations with both rail companies over the course of the year were very positive. Negotiations with CP resulted in a settlement in the amount of $204,612. Negotiations with CN were not concluded by year-end, however, settlement is expected by mid-2000.

In addition to the car monitoring and leasing initiatives, the Corporation continued to provide technical assistance to Saskatchewan Highways and Transportation's Short Line Advisory Unit. This unit works directly with farmers and communities to examine short line railway service as an alternative to branch line abandonement. Unit staff provide technical advice in the areas of engineering, operations, financial and legal.

Since 1996, the Corporation has also acted as the Farmer Rail Car Coalition's (FRCC) technical advisor, and continued in this capacity during the 1998/99 fiscal year. The FRCC is made up of eight farmer organizations that are interested in aquiring the federal government's 13,000 rail hopper cars directly on behalf of western Canadian farmers. Corporation management provided advice to the FRCC throughout the Estey and Kroeger processes in talks related to the disposal of the federal hopper car fleet.

Once again, I am pleased to express my appreciation to the staff in the Corporation's Melville office for their dedication over the past year.

Bernard Churko
General Manager

Corporate Profile

Description

The Saskatchewan Grain Car Corporation (SGCC) is a Treasury Board Crown Corporation operating under the authority of the *Saskatchewan Grain Car Corporation Act*. The SGCC is governed by the Board of Directors who oversees the management of the Corporation and holds management accountable for Corporation performance. The Chair of the Board of Directors is also the Minister Responsible for the Saskatchewan Grain Car Corporation, who functions as a link between the Corporation and Cabinet, as well as the provincial Legislature.

Background

The Corporation was founded in 1981 when the Government of Saskatchewan made a strategic investment of approximately $55,000,000 in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers.

The existing fleet of cars were manufactured by Hawker Siddely of Trenton, Nova Scotia, and Thunder Bay, Ontario. The first Saskatchewan cars entered grain service on March 9, 1981, when 273 cars began service on the CP lines. By crop year-end, CN had its full complement of 477 cars with the remaining 250 cars moving onto the CP lines in the 1981/82-crop year. Over the past 18 crop years, 23 of these hopper cars have been destroyed in train derailments leaving the corporation with the responsibility to manage the remaining fleet of 977 cars.

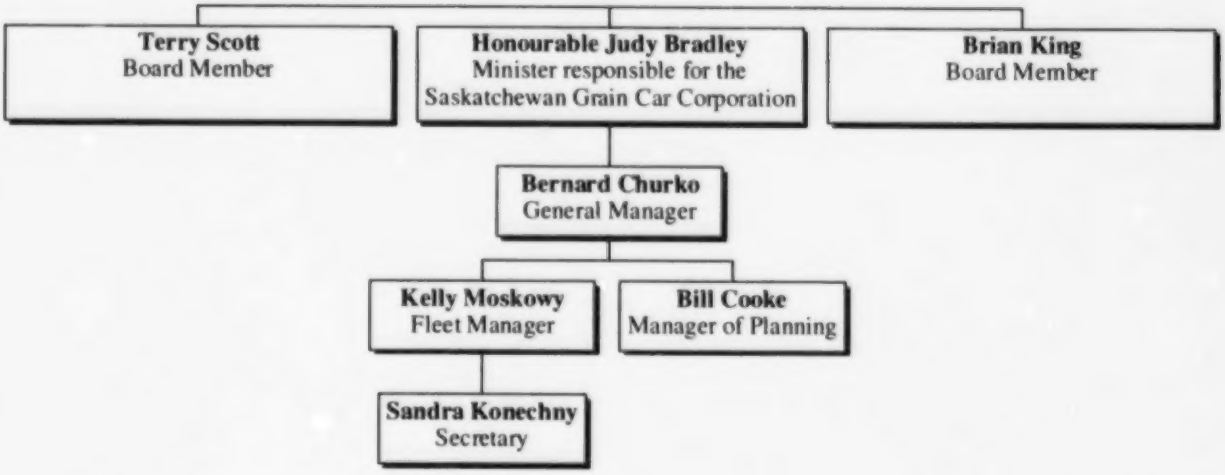
The additional car capacity provided by the Saskatchewan Grain Car Corporation cars in grain service assists the grain industry in meeting market needs. The Saskatchewan Grain Car Corporation's 977 hopper cars for grain service continues to be a valuable investment by the province in support of this important economic sector.

Mission

To maximize the economic benefits to the Saskatchewan agriculture industry as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the efficient and effective use and operation of its fleet.

Organization Chart

as of July 31, 1999

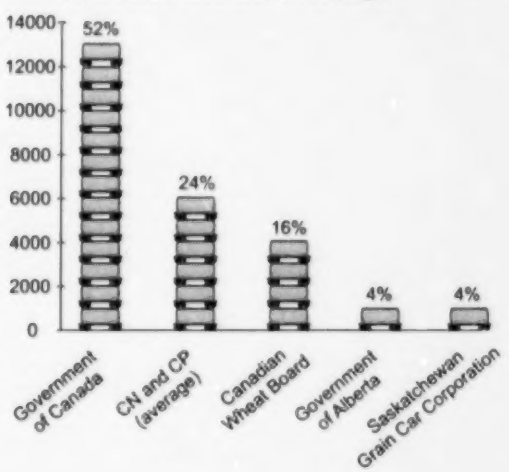


Corporate Report

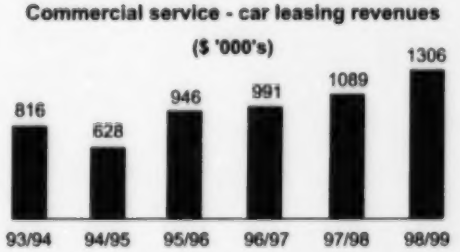
The Saskatchewan Grain Car Corporation (SGCC) continues to be an integral part of the western Canadian grain transportation system. The SGCC provides the western Canadian grain industry with its hopper cars free of charge for the movement of grain to port facilities in western Canada.

As of the the crop year ending July 31, 1999, the Corporation had 977 covered hopper cars in service, which represents approximately 4% of the 25,000 cars in service in Canada's grain transportation system. Since the Corporation inception in 1981, 23 cars have been destroyed in railway derailments and have not been replaced. No cars were destroyed in 1998/99 compared to five in 1997/98 and two in 1996/97.

Canada's grain transportation system has 25,000 cars in service on average.



Commercial service - car leasing revenues



Governing Legislation & Agreements

The Saskatchewan Grain Car Corporation is governed by the following legislation and agreements:

- *The Saskatchewan Grain Car Corporation Act*
- Operating Agreement - 1981 (SGCC, Canadian Pacific Railway (CP), Canadian National Railways (CN), and the Canadian Wheat Board (CWB)
- Alternate Use Ageement - 1999 - Grain Products (SGCC and CP)
- Alternate Use Ageement - 1999 - Grain Products (SGCC and CN)
- Alternate Use Agreement - 1999 - Phosphate Rock (SGCC and CN)
- Alternate Use Agreement - 1999 - Potash (SGCC and CN)

Powers of the Corporation

(a) acquire by purchase, lease or otherwise, railway rolling stock suitable for the transportation of grain or other products;

(b) enter into agreements with the Canadian Wheat Board, railways and others respecting:

(i) the use of railway rolling stock acquired by the corporation for the transporting grain; or

(ii) any other purposes that the corporation considers advisable;

(c) enter into agreements for the maintenance, serving, repair and upkeep of rolling stock acquired by the corporation;

(d) construct or acquire by purchase, lease or otherwise, any plant and equipment that the corporation considers advisable for the maintenance, servicing, repair and upkeep of railway rolling stock;

(e) transfer, sell or otherwise dispose of any railway rolling stock, plant and equipment acquired by the corporation;

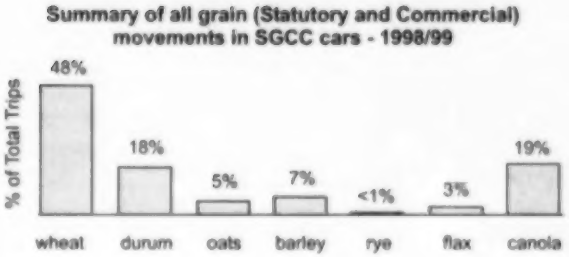
(f) provide the means by which grain and other products produced in Saskatchewan and elsewhere may be transported;

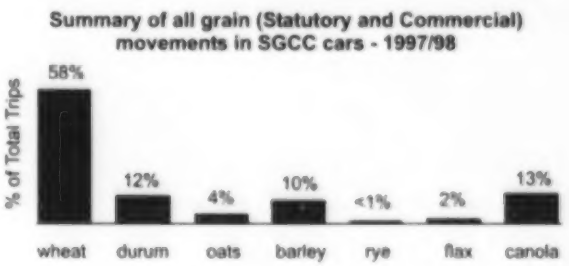
(g) do any other thing that may be necessary, incidental or conducive to the efficient exercise of its powers.

Operations Overview

In accordance with the 1981 Operating Agreement between the SGCC, CWB, CN, and CP, cars continue to be maintained and operated on a day-to-day basis by the railway companies. Through an electronic car tracking system, Corporation staff monitor the individual car movement details daily to identify moves that do not fall within the terms and conditions of the 1981 agreement. Movements that are not covered under the 1981 agreement are considered alternate use or commercial movements and are only allowed at times when the cars are not being fully used for the transportation of export grain to port facilities in western Canada. The SGCC, through alternate use agreements negotiated with the railways, allow the movement of grain and non-grain commodities to both domestic and export destinations throughout North America for which the rail companies pay a set trip lease premium to the Corporation. Over the course of the 1998/99 fiscal year Corporation management entered into new, or re-negotiated the lease agreements.

Saskatchewan is Canada's leading grain producer. More than half of SGCC car movements originated in Saskatchewan. Wheat once again was the most frequently hauled commodity in the SGCC fleet, accounting for over 48% of all carloads in 1998/99, down from 58% in 1997/98.



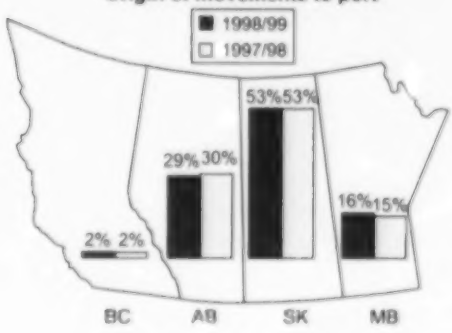


Car Use - Statutory Grain Service

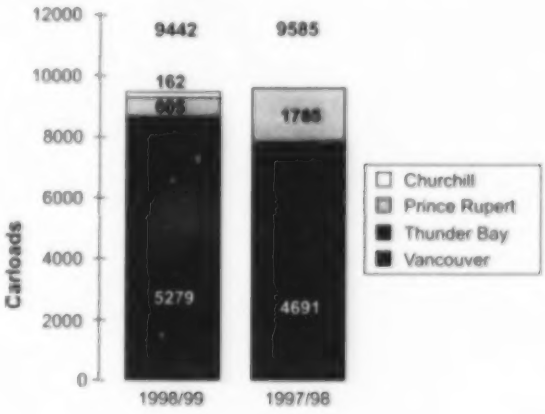
Under the original 1981 Operating Agreement, CN and CP were allowed to move the six major grains produced throughout the Prairie Provinces to port for export using Corporation cars at no cost to the railways. The six major grains covered under the original 1981 agreement included; Wheat/Durum, Oats, Barley, Rye, Flax, and Canola. As the agricultural sector diversified and evolved this list was expanded and now includes 59-grain crops or products as listed under Schedule II of the *Canada Transportation Act*. Movement of these Schedule II commodites to port for export are considered Statutory Movements and the railways are allowed to use SGCC hopper cars at no charge.

As a result of decreased foreign grain sales during the 1998/99-crop year, movements in SGCC cars of major grains to port for export decreased to 9,442 carloads (818,942 tonnes) compared to 9,585 carloads (800,818 tonnes) in 1997/98. For the first time since the Corporations inception, SGCC cars moved agricultural products to the Port of Churchill with 162 carloads moved totalling 14,234 tonnes.

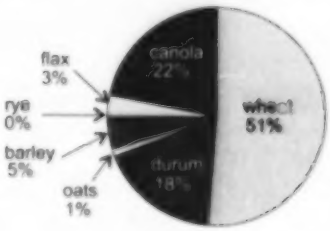
Origin of movements to port



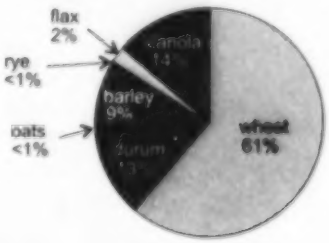
Statutory grain service - destinations



Major grains carried to port - 1998/99

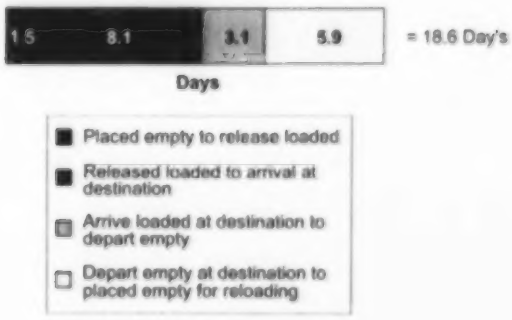


Major grains carried to port - 1997/98



Car cycle - statutory movement - 1998/99

(days/trip leg)



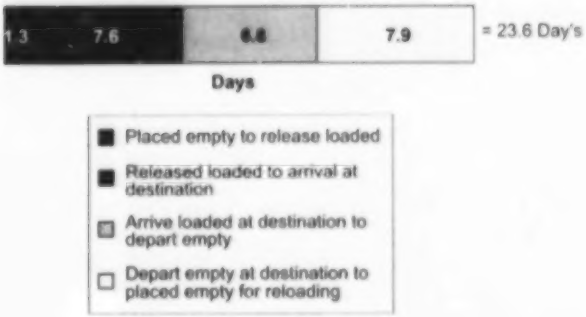
Car Leasing - Commercial Service (Alternate Use)

In the late 1980's, the railways first approached the Corporation seeking approval to use SGCC cars for alternate or commercial use at times when the cars were not required to move export grain to port.

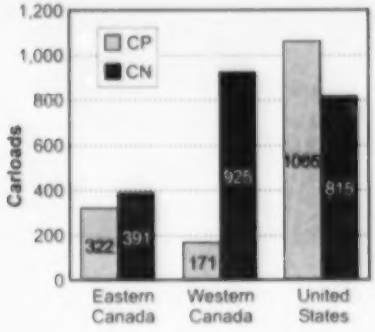
To date, the railways still use the cars for this commercial service under formal alternate use agreements signed between the parties with these type of movements accounting for 19.3% of all car movements in 1998/99 compared to 15.3% of movements in 1997/98. The use of Corporation car's for these types of movments were used predominantly by CN and CP for the carriage of the major grains to domestic destinations throughout Canada, United States, and Mexico.

Corporation staff continue to work with CP, CN and other potential customers with the objective of maximizing returns by further utilizing the fleet at times when it is not required for statutory grain movements. Over the course of the past year this work resulted in an alternate use agreement with CN for the movement of potash from various mine locations in Saskatchewan to destinations throughout North America resulting in additional revenue for the Corporation. Negotiations with CN were also completed to renew an existing agreement for the movement of phosphate rock as a backhaul movement from Vancouver, BC to Beamer, AB.

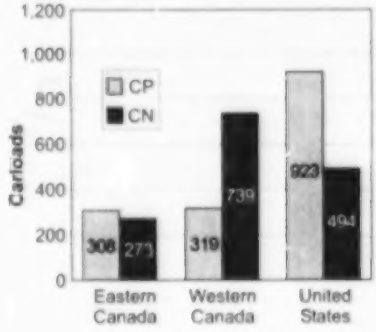
Car Cycle - Commercial Movement - 1998/99
(days/trip leg)



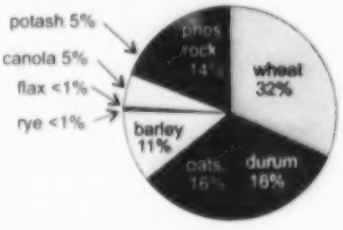
Commercial service - destinations - 1998/99



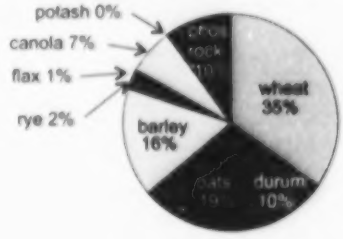
Commercial service - destinations - 1997/98



Major commodities carried - Alternate use - 1998/99



Major commodities carried - Alternate use - 1997/98



Year 2000

During the course of the 1998/99 fiscal year, Corporation management addressed the business risk associated with Year 2000. The Year 2000 problem has arisen out of the practice of representing dates in computer programs with only the last two digits of the year. Accordingly, on January 1, 2000, some computer programs may incorrectly interpret the date as the year 1900. The result will be problematic for any non-compliant computer or microprocessor-based system. Software may fail completely or continue to operate, delivering erroneous output. Other dates associated with Year 2000 may also cause problems.

Over the course of the past fiscal year, the Corporation initiated a Year 2000 Program with a mandate of ensuring that Year 2000 related systems upgrades, and ultimately transition of our products, services and business into the next millennium, occurs with minimal disruption and cost. Upon review of Corporation systems it was determined that only the electronic grain car tracking system required replacement as the existing system was antiquated and could not be upgraded to make it Year 2000 compliant. In May 1999, Corporation staff tested a new electronic tracking system, with full use taking place by fiscal year end. This new method of obtaining car movement data allows staff to monitor the car's actual physical location and status of the corporation's fleet of 977 cars anywhere on the North American railways' 250,000-mile network.

The Corporation feels it has sufficiently addressed the Year 2000 issue and does not expect any problems when we reach January 1, 2000. However, like most Corporation's, the SGCC neither guarantees nor states that, when the year 2000 arrives, customers will not experience any service interruption or degradation, whether it be with our own products or otherwise.

Financial Statements

1998/99

Management's Report

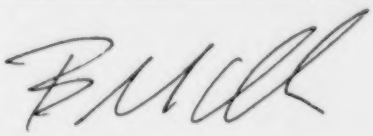
The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgement where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 1999.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 1999.

The financial statements have been audited by the Corporation's external auditors, Skilnick Robertson Besler Miller & Co., Chartered Accountants, and approved by the Provincial Auditor.



Bernard Churko
General Manager

Regina, Saskatchewan

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1999, and the statements of revenue and expenditure, net assets and cash flows for the year then ended. The corporation's management is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 1999, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

SKILNICK ROBERTSON BESLER MILLER & CO.
Chartered Accountants

Melville, Saskatchewan
January 4, 2000

Statement of Financial Position

as at July 31, 1999	*1999*			*1998*
	Operating Fund	Reserve Fund	Total	Total
Assets				
Cash	$ 29,583	$	$ 29,583	$ 119,310
Due from General Revenue Fund *(Note 4)*	6,557,827	1,154,957	7,732,784	7,116,774
Accounts receivable *(Note 6)*				
- accrued interest	23,390	7,194	30,584	26,613
- car leasing	1,201,267		1,201,267	640,824
- miscellaneous	13		13	27
Prepaid expenses	877		877	2,119
Total assets	$7,832,957	$1,162,151	$8,995,108	$7,905,667
Liabilities and Net Assets				
Accounts payable (Note 6)	$ 657		$ 657	$ 223,531
Wage deductions payable	565		565	
Goods and services tax	41,678		41,678	37,190
Total liabilities	42,900		42,900	260,721
Net assets - Statement 3	7,790,057	1,162,151	8,952,208	7,644,946
Total liabilities and net assets	$7,832,957	$1,162,151	$8,995,108	$7,905,667
Investment in capital assets *(Note 7)*			$28,957,371	$30,281,558

See accompanying notes to financial statements

Approved on behalf of the Board:

Judy Bradley
Chairman of the Board

Statement of Revenue and Expenditure

Statement 2

for the year ended July 31, 1999	*1999*			*1998 Reclassified (Note 9)*
	Budget	Operating Fund	Reserve Fund	Total	Total
Revenue					
Car leasing *(Note 2)*	$ 700,000	$1,305,593	$	$1,305,593	$1,507,271
Interest *(Notes 4 and 5)*	300,000	308,975	57,379	366,354	271,073
Compensation for destroyed grain cars *(Note 2)*	36,000		Nil	Nil	214,144
Total revenue	1,036,000	1,614,568	57,379	1,671,947	1,992,488
Expenditure					
Salaries	70,000	64,140		64,140	42,974
Salary benefits *(Notes 5 and 8)*	15,000	6,561		6,561	5,706
Fleet Manager contract, travel and sustenance (Note 5)	80,000	73,912		73,912	74,186
Other travel and sustenance	1,000	3,612		3,612	843
Bad debt/allowance for uncollectible accounts	Nil	53,543		53,543	160,000
Administration *(Schedule 1)*	205,650	162,917		162,917	391,404
Total expenditure	371,650	364,685	Nil	364,685	675,113
Excess of revenue over expenditure for the year	$ 664,350	$1,249,883	$ 57,379	$1,307,262	$1,317,375

See accompanying notes to financial statements

Statement of Net Assets

Statement 3

for the year ended July 31, 1999	*1999*			*1998*
	Operating Fund	Reserve Fund	Total	Total
Net assets, beginning of year	$6,540,174	$ 1,104,772	$7,644,946	$6,327,571
Excess of revenue over expenditure for the year	1,249,883	57,379	1,307,262	1,317,375
Net assets, end of year	$7,790,057	$1,162,151	$8,952,208	$7,644,946

See accompanying notes to financial statements

Statement of Cash Flows

Statement 4

for the year ended July 31,1999	*1999*	*1998*
Cash flows from operating activities		
Excess of revenue over expenditure for the year	$1,307,262	$1,317,375
Net change in non-cash working capital balances related to operations - see summary below	(780,979)	(202,751)
Cash flows from operations	526,283	1,114,624
Cash flows from (used in) investing activities		
Increase (decrease) in investments	(616,010)	(1,023,294)
Cash flows from (used in) investing activities	(616,010)	(1,023,294)
Net (decrease) increase in cash during year	(89,727)	91,330
Cash position at beginning of year	119,310	27,980
Cash position at end of year	$ 29,583	$ 119,310
Summary of changes in non-cash working capital		
(Increase) Decrease in Assets		
Accounts receivable	(564,400)	(449,011)
Prepaid expenses	1,242	(1,551)
	(563,158)	(450,562)
Increase (Decrease) in Liabilities		
Accounts payable	(222,874)	210,621
Wage deductions payable	565	Nil
Goods and services taxes	4,488	37,190
	(217,821)	247,811
	$(780,979)	$(202,751)

See accompanying notes to financial statements

Notes to Financial Statements

1. Status of the Corporation

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of *The Saskatchewan Grain Car Corporation Act.*

The Corporation's mission is to maximize the economic benefits to the Saskatchewan agricultural industry as a first priority, other Saskatchewan industries, and the Province in general, through the efficient and effective use and operation of its fleet.

2. Operating Agreement

The Corporation has entered into an agreement dated February, 1981, with the Canadian National Railway Company, Canadian Pacific Limited, and The Canadian Wheat Board which allows the railways to lease the Corporation's cars free of charge for statutory grain service. Statutory grain service refers to the carriage of wheat, durum, oats, barley, rye, flax, and canola at regulated freight rates.

With the approval of the Corporation, the railways may lease the Corporation's cars for commercial service, provided the cars are surplus to the requirements for statutory grain service. Commercial service includes the carriage of grain at non-regulated freight rates as well as the carriage of other bulk commodities, such as potash. The railways are required to pay an agreed leasing charge to the Corporation for these movements.

The railways are responsible for maintaining and repairing the Corporation's cars at their own expense in accordance with industry standards.

In the event that one of the Corporation's cars is damaged beyond economic repair, the railway responsible is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the Association of American Railroads. The value is based on the current replacement value of the car and the age of the car. All amounts received from the railways as compensation for destroyed cars are placed in a reserve fund to be used for the purchase of new cars.

3. Significant accounting policies

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles.

The Corporation uses the accrual basis of accounting. Where the Corporation is the lessor, rental revenues from car operating leases is recognized as the service is provided to the lessee and collection is reasonably assured.

The financial records of the Corporation are segregated into two funds:

(i) Operating Fund, which records the operating revenues and expenditures of the Corporation; and

(ii) Reserve Fund, which records the compensation received from the railways for destroyed cars. All interest earned from cash balances is retained by the Reserve Fund.

Notes to Financial Statements

4. Due from General Revenue Fund

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 1998/99 is 5.01% (1997/98 4.28%).

5. Related party transactions

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown Agencies such as departments, corporations, boards, and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms.

These transactions are as follows:

	1999	1998
Revenue		
Government of Saskatchewan (General Revenue Fund) - interest earnings	$ 366,354	$ 271,073
Expenditure		
Department of Highways and Transportation - Acting Fleet Manager services	$ 59,223	$ 69,800
Department of Highways and Transportation - Data processing and data storage	$ 21,055	$ 291,919
Saskatchewan Property Management Corporation		
- Office rent	$ 8,939	$ 6,821
- Additional office space rental for $512 per month for August 1999	$ 512	$ 1,024
- Printing and copying	$ 181	NIL
- Office supplies and postage	$ 950	$ 722
- Computer equipment	$ 48	NIL
Saskatchewan Telecommunications - Telecommunication services	$ 10,180	$ 5,769
Crown Investments Corporation (Capital Pension Plan) - Employee pension plan contributions	$ 1,605	$ 1,550
Workers' Compensation Board (Saskatchewan)	$ (15)	$ 595

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

Notes to Financial Statements

6. Financial instruments

Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing or certainty of future cash flows.

Credit risk

The Corporation is exposed to credit risk from the potential non-payment of accounts receivable. The Corporation's receivables consist of amounts due from Canadian National Railway Company, Canadian Pacific Limited, and accrued interest on funds invested by the Provincial Government. The credit risk on collection of the receivable balance is minimal.

Fair value

The carrying amount of cash, due from General Revenue Fund, accounts receivable and accounts payable approximate fair market value due to their immediate or short term nature.

7. Investment in capital assets

In 1992, the Corporation wrote off its capital assets consisting entirely of hopper cars due to the inability to project with reasonable certainty the possible future net cash flows from usage. The following is provided for information purposes.

The Corporation purchased 1,000 covered hopper cars in 1981 at a cost of $54,214,423. As of July 31, 1999, 23 cars have been destroyed; the remaining 977 cars are in service.

The investment in the hopper cars is amortized on a straight line basis over an expected useful life of 40 years.

As at July 31	*1999*			*1998*		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Rolling stock	$52,967,491	$24,010,120	$28,957,371	$52,967,491	$22,685,933	$30,281,558

The 1999 amortization totalled $1,324,187 (1998 $1,327,011).

8. Pension plan

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan is limited to making regular payments to match the amounts contributed by employees for current service. The Corporation's annual pension expense for 1999 amounted to $1,605 (1998 $1,550).

9. Comparative figures

Comparative figures have been reclassified, where necessary, to conform to presentation adopted in the current year.

10. Uncertainty due to the Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

Schedule of Administrative Expenses

for the year ended July 31, 1999	*1999*	*1999*	*1998 Reclassified (Note 9)*
	Budget		
OPERATING FUND			
Advertising and promotion	**$ 500**	**$ Nil**	**$ Nil**
Bank charges	150	201	147
Computer equipment *(Note 5)*	NIL	11,444	NIL
Computer maintenance	3,600	3,524	3,524
Consulting services	125,000	92,225	45,942
Data processing - car leasing *(Note 5)*	33,000	21,055	291,919
Miscellaneous	500	436	45
Office supplies *(Note 5)*	500	1,119	427
Postage and courier *(Note 5)*	250	173	467
Printing and copying *(Note 5)*	1,250	897	1,169
Professional services	28,200	11,403	15,747
Rent - office space *(Note 5)*	7,700	9,451	7,845
Subscriptions - railway data	Nil	809	18,403
Telecommunications *(Note 5)*	5,000	10,180	5,769
Total - to Statement 2	**$205,650**	**$ 162,917**	**$ 391,404**
RESERVE FUND			
Car restoration	**$ Nil**	**$ Nil**	**$ Nil**
Total - to Statement 2	**$ Nil**	**$ Nil**	**$ Nil**

See accompanying notes to financial statements

Expenditure Disclosure

for the year ended July 31, 1999

Employees receiving payments totalling $ 2,500 or more for salaries and wages:

	1999	1998
Sandra Konechny	$ 29,156	$ 30,974
Merve Famulak	$ 23,292	NIL
Garin Gleisinger	$ 4,538	NIL
Dylan Blommaert	$ 2,832	$ 4,000
Craig Clements	$ 4,000	$ 4,000
Lisa Timoffee	$ 1,619	$ 4,000
Total	$ 64,140	$ 42,974

Suppliers/consultants receiving payments totalling $ 25,000 or more for goods and/or services:

	1999	1998
Paul Beingessner	$ 51,708	$ 42,533
Melvin Ellis	$ 40,517	NIL
Total	$ 92,225	$ 42,533

Statistical Summary

Year (as of July 31, 1999)	Cars in Service			Cars Destroyed			Car Leasing Revenues	
	CN	CP	Total	CN	CP	Total		
1979/80	-	-	-	-	-	-	--	
1980/81	477	273	750	-	-	-	--	
1981/82	477	523	1,000	-	-	-	$ 56,294	
1982/83	477	523	1,000	-	-	-	$ 11,850	
1983/84	475	523	998	2	-	2	--	
1984/85	475	523	998	-	-	-	--	
1985/86	475	523	998	-	-	-	--	
1986/87	474	523	997	1	-	1	--	
1987/88	474	523	997	-	-	-	--	
1988/89	474	523	997	-	-	-	$ 1,099,441	
1989/90	474	523	997	-	-	-	$ 92,310	
1990/91	473	523	996	1	-	1	$ 146,343	
1991/92	473	522	995	-	1	1	$ 268,342	
1992/93	473	522	995	-	-	-	$ 326,047	
1993/94	472	522	994	1	-	1	$ 816,083	
1994/95	472	518	990	-	4	4	$ 628,807	
1995/96	470	514	984	2	4	6	$ 946,233	
1996/97	468	514	982	2	-	2	$ 991,526	
1997/98	468	509	977	0	5	5	$ 1,089,116	(See note below)
1998/99	468	509	977	0	-	-	$ 1,305,593	
Total	468	509	977	9	14	23		

Note to Statistical Summary:

Revenue recognized as per 1997/98 Financial Statement	$ 1,507,271
less: Revenue actually realized in 1997/98	$ 1,089,116
Adjustment:	$ 418,155

Reconciliation of Adjustment

(1) Bad debt allowance as shown in 1997/98 Financial Statement	$ 160,000
(2) Bad debt allowance as shown in 1998/99 Financial Statement	$ 53,543
(3) Settlement recovery with CN for western Canada commercial moves from 1991 to 1997 realized in 1998/99	$ 204,612
Adjustment:	$ 418,155

Interesting facts about Saskatchewan Grain Car Corporation cars:

Car identification:	SKNX 397000 - 397476 (468 cars assigned to CN) SKPX 625000 - 625522 (509 cars assigned to CP)
Load limit:	100 tons
Capacity:	4550 cubic feet
Weight (empty):	30.9 tons
Material:	steel
Dates built:	February, 1981 - October, 1981

Notes:

Corporate Information

Board of Directors

Honourable Judy Bradley
Chairman of the Board
Minister of Highways and Transportation
Minister Responsible for the
Saskatchewan Grain Car Corporation
(effective June 27, 1997)

Brian King
Deputy Minister
Department of Highways and Transportation
(effective August 21, 1996)

Terrence Scott
Deputy Minister
Department of Agriculture and Food
(effective September 9, 1997)

Management

Bernard Churko
General Manager
(effective June 22, 1993)

Kelly Moskowy
Fleet Manager
(effective October 1, 1998)

William Cooke
Manager of Planning
(effective June 22, 1993)

For additional information:

Saskatchewan Grain Car Corporation
Office of the General Manager
1855 Victoria Avenue, 12th floor
Regina, Saskatchewan
S4P 3V5

Telephone: (306) 787-4904
Facsimile: (306) 787-9777
e-mail: sgcc.hi0@govmail.gov.sk.ca

Saskatchewan Grain Car Corporation
#108 - 256 2nd Avenue West
P.O. Box 2498
Melville, Saskatchewan
S0A 2P0

Telephone: (306) 728-7444
Facsimile: (306) 728-7446
e-mail: sgcc.hi0@govmail.gov.sk.ca

Glossary

Car Cycles
A car cycle is the time for a car to complete a trip from origin, to destination, and back to the next origin.

Commercial Service
Commercial service is defined, as the movement of any commodity not destined to port for export, or the movement of commodities to port not covered under Schedule II of the *Canada Transportation Act*. For these commercial movements the Corporation receives a lease fee.

Domestic and export markets
Canada, Unites States, and Mexico make up the domestic or North American market; the rest of the world is the export or offshore market.

Metric tonne
A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger than a 2000 pound short ton.

Phosphate rock
Also known as phos. rock, this product is the main source of phosphoric acid for phosphate fertilizers and industrial products. A form of calcium phosphate, it also contains other materials

Potash
Typically denotes materials containing potassium, particularly potassium fertilizer. Most fertilizer is muriate of potash (KCl), potassium chloride. Potassium combines with other minerals in specialty fertilizers.

Statutory Grain Service
Statutory grain service is the transportation of commodities which are moved to port for export as defined in Schedule II of the *Canada Transportation Act*. Under the 1981 Operating Agreement between the Saskatchewan Grain Car Corporation, Canadian Wheat Board, CN Rail, and CP Rail, the Corporation allows CN and CP to use Corporation owned cars for the movement of Schedule II commodities to port facilities in western Canada at no cost to the railways.